

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION
Honolulu, Hawaii 96813
December 8, 2006

OAHU

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

Cancellation of Revocable Permit No.B-03-06, Magic Island Petroleum, Permittee, Upon cancellation, issuance of a new Revocable Permit for a Marine Service Station Fueling facility only, with no mooring rental authority, Ala Wai Small Boat Harbor, Honolulu, Hawaii, Tax Map Key: 2-3-37:20.

PURPOSE:

Cancellation of Revocable Permit No. B-03-06. Magic Island Petroleum, Permittee. Upon cancellation, issuance of a new Revocable Permit for a Marine Service Station Fueling facility only, with no mooring rental authority, Ala Wai Small Boat Harbor, Honolulu, Hawaii, Tax Map Key: 2-3-37:20

LEGAL REFERENCE:

Section 171-55, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands of Ala Wai Small Boat Harbor situated at Kalia, Waikiki, Oahu, identified by Tax Map Key: 2-3-37:20, as shown on the attached map labeled Exhibit A-1.

AREA:

Reclaimed Land 15,199 square feet and 13,366 square feet of submerged lands more or less. Any future permit shall be for fast land portion only and not include any submerged areas. As shown on Exhibit A-2.

ITEM J -1

TRUST LAND STATUS:

Section 5() lands of the Hawaii Admission Act
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO X

CURRENT CHARACTER OF USE:

Operate a marine facility which will provide fuel, oil, lubricants, a waste oil containment system, and sewage pump out to service marine vessels. The facility shall include a Marine Service Station offering minor repairs normally associated with routine servicing of marine vessels. Other permitted uses on the premises may include a convenience store, over the counter snack bar, boat brokerage, laundromat, the mooring of vessels and other uses more particularly described in "Exhibit B", which is attached to the Revocable Permit (B-03-06).

COMMENCEMENT DATE OF PERMIT:

Commenced on September 17, 2003.

CURRENT MONTHLY RENTAL:

\$2,500 per month, payable monthly in advance or seven (7%) percent of the gross receipts per month, whichever is greater, plus the \$0.005 per gallon of fuel sold and ten (10%) percent of the mooring income per month.

REMARKS:

The original purpose and intent of this property now under Revocable Permit (RP) B-03-06 was to provide harbor tenants with a convenient location to obtain fuel, marine services, marine supplies, sundry supplies, and that boat slips are to be used as Temporary Mooring for the convenience of boaters using these services, please refer to Revocable Permit shown as Exhibit B-1.

According to §200-9, Hawaii Revised Statute, vessels used for purposes of recreational boating activities which are also the principal habitation of the owners shall occupy no more than one hundred twenty-nine berths at the Ala Wai Small Boat harbor. Currently 129 principal habitation berths have been issued by DOBOR to its tenants.

The Permittee has utilized more or less three hundred feet of pier face around the dock, which may accommodate up to twenty vessels at any given time. It has come to our attention that the majority of the berths assigned to Magic Island Petroleum are currently being used for the purpose of principal habitation.

Revocable Permit No. B-03-06 Issued to Magic Island Petroleum, Inc. specifically provides that "the boat slips assigned to the tenant are to be used for Temporary Mooring only." To further underscore this point, the RP provides, that "the Permittee shall provide the following information to said Harbor Agent in writing with respect to each vessel prior to assigning a mooring within Easement Areas "B", "C", and "D": (i) name of registered owner or captain of vessel, (ii) local address, (iii) name, registration and home port of the vessel, (iv) date of the mooring assignment, and (v) estimated period of mooring. The Permittee shall also provide said Harbor Agent a monthly mooring summary of vessels, by name, Registration/Documentation Number, and vessel length, that are moored on the premises. In addition, Permittee is required to identify in advance any person that may be staying aboard for the evening (Stay Aboard). Permittee has failed to provide the Harbor Agent with the required reports.

A certified letter was sent on August 24, 2006 identifying the violations and requesting immediate compliance with the terms of the Revocable Permit. EXHIBIT C. The information was not provided and a meeting was held on September 5, 2006. In attendance were the General Manager and his wife. None of the Permittee's officers were present. The General Manager indicated that he had full authority from the Permittee to act on the Permittee's behalf.

The Manager acknowledged receiving the August 24, 2006 letter. He stated directly to DOBOR Staff that most of the slips were being used as principal places of habitation and that this had been normal practice for some time. He went on to say that he also lives on the premises. Permittee's live aboard tenants are in excess of the total number of live aboard tenants allowed in this harbor as set by statute.

A second notice was sent on September 20, 2006 asking for full compliance of the terms of the Revocable Permit, please refer to Exhibit D. As of October 17, 2006, the Permittee has not complied with the Stay Aboard Reporting requirement of the Revocable Permit. An inventory of the Permittee's moored vessels was sent with a notation stating, "the fuel dock area does not allow for boats to be a principle place of habitation. " However, again, during conversation with the Permittee's Manager he confirmed that the majority of the vessels are being used as a principal place of habitation by the vessel owners. No mooring reports showing past or current Stay Aboard history or length of stay have been submitted to date. A number of these temporary berths have been occupied by the same vessels for a long stretch of time.

DOBOR's harbor staff has had to accommodate its tenants who were in the slips that were condemned in a harbor that is usually at maximum capacity. In order to better manage the harbor, accommodate our regular Mooring Permittees, and ensure that we are in compliance with the law, DOBOR needs to have access to

all available berths within the harbor. The current provision allowing the Permittee to utilize the slips at the Fuel Dock makes it difficult for DOBOR to manage the harbor effectively. DOBOR plans to retain all the mooring slips surrounding the property and provide temporary mooring for long term tenants being displaced by harbor improvement projects. Upon the completion of each harbor improvement project, these displaced regular tenants may return their vessels to their original slips within the completed project area. The slips encircling the fuel dock premises shall remain under DOBOR management for additional mooring. A portion of the West (EWA) side of the dock would be made available for loading, and fueling purposes. The extent and use of this portion would be determined by the Harbor Master on an as needed basis.

DOBOR realizes the need for fuel and other marine services and is agreeable to entering into a new Revocable Permit for the purpose of providing these services with the exception of the moorings. The character of use for the new RP would remain the same except for any reference to the mooring of vessels. Language would be inserted to allow for use of a portion of the West (Ewa) side of the pier face for fueling purposes on an as needed basis as determined by the Harbor Master. The rental charge would also be adjusted to exclude the ten (10%) percent of the mooring income.

RENT:

The Permittee is current at this time.

INSURANCE:

The Permittee has not provided evidence of current insurance coverage, for the present period.

SECURITY DEPOSIT:

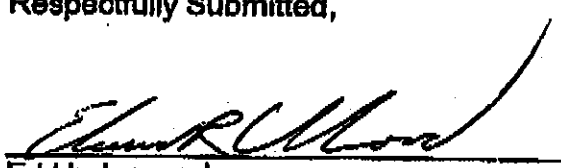
The Permittee has posted the security deposit as required.

RECOMMENDATION: That the Board:

1. Cancel the revocable permit and all rights of the Permittee and all obligations of the Lessor effective December 17, 2006, provided that any and all obligations of the lessee which have accrued up to said effective date or which are stated in the permit to survive cancellation shall endure past such cancellation date until duly fulfilled, and further provided that the Lessor reserves the rights and claims allowed by law.

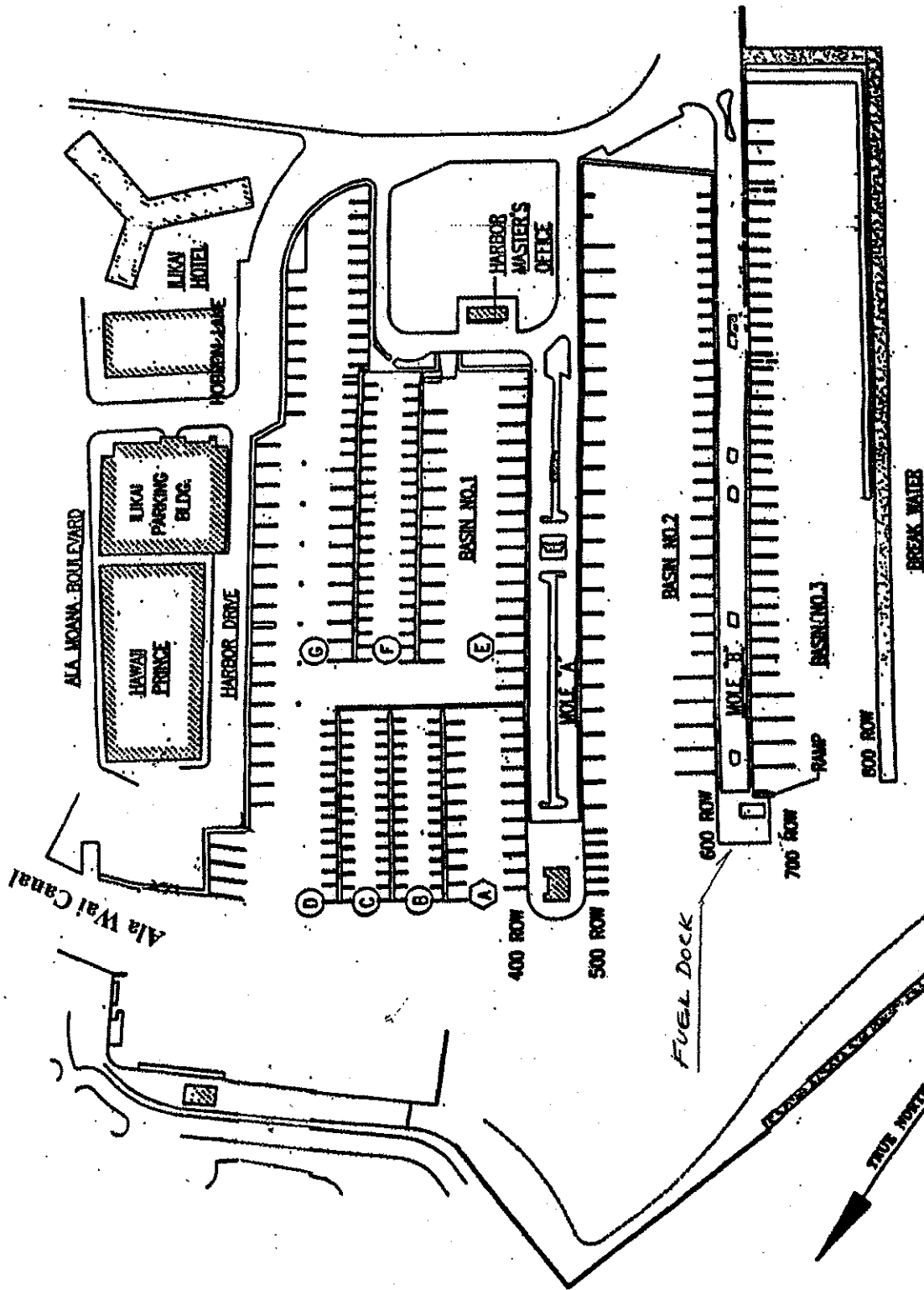
2. Upon the Cancellation of Revocable Permit B-03-06 to Magic Island Petroleum, Inc., authorize the retention of all sums heretofore paid or pledged under Revocable Permit BO-03-06 to be applied to any amounts due.
3. Authorize Chairperson to issue a Revocable Permit for a Marine Service Facility on such terms as deemed to be necessary by DOBOR to best service the active users of the Harbor.
4. Authorize DOBOR to retain management of all submerged land surrounding the pier area of Mole B, and Fuel Dock site.
5. Authorize the Department of the attorney General, the Department of Land and Natural Resources, or their agents to collect all monies due the State of Hawaii under Revocable Permit B-03-06 and to pursue all other rights and remedies as appropriate.
6. Authorize the Chairperson to negotiate the final rent.
7. Such other terms and conditions as may be prescribed by the Chairperson.

Respectfully Submitted,

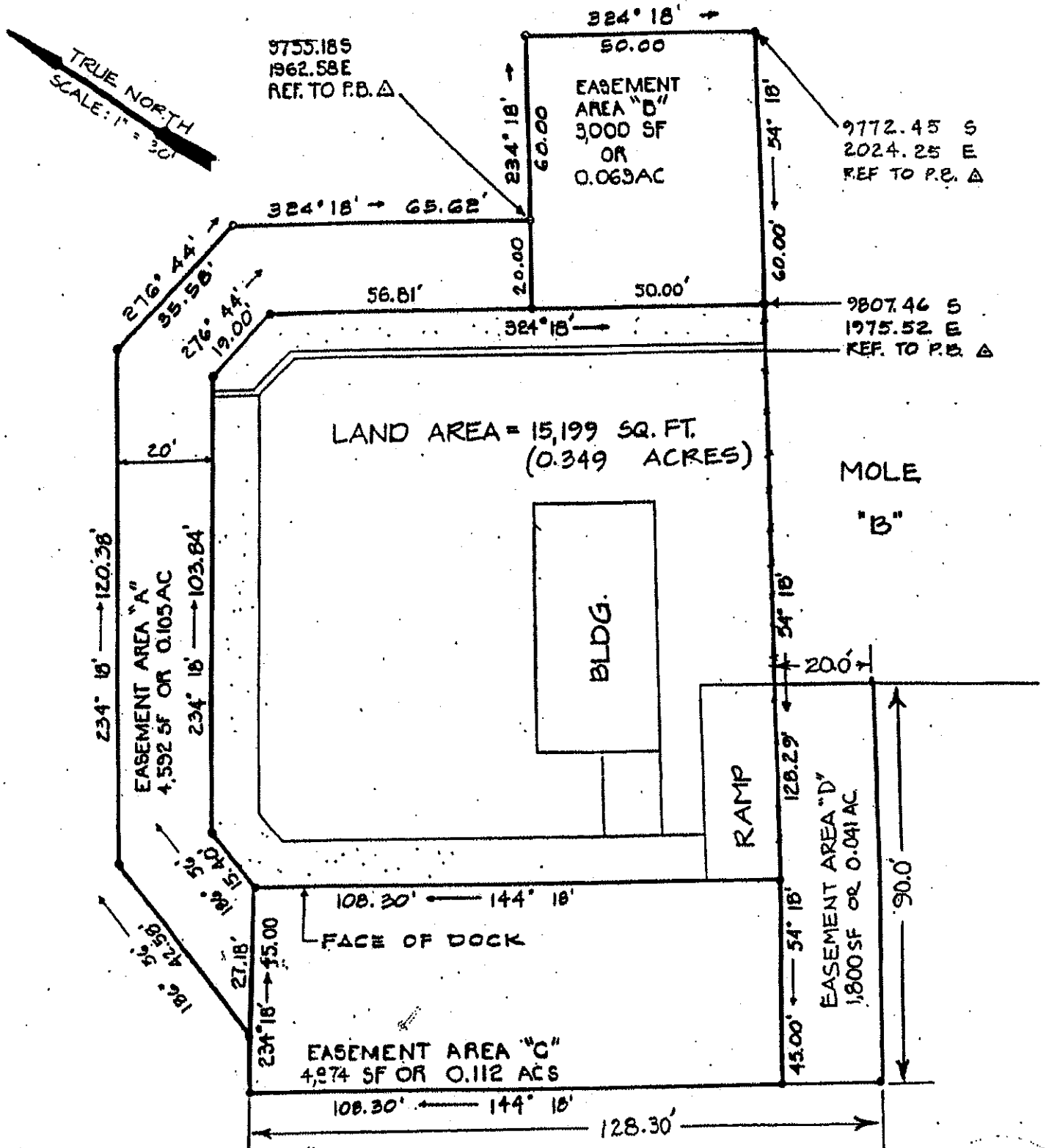

Ed Underwood
Acting Administrator

APPROVED FOR SUBMITTAL:


Peter T. Young, Chairperson



ALA WAI SMALL BOAT HARBOR
EXHIBIT A-1



NOTE: P.B. = "PUNCH BOWL"

LAND SITUATED AT ALA WAI BOAT HARBOR
KALIA, WAIKIKI, HONOLULU, HAWAII

BEING A PORTION OF GOVERNOR'S EXECUTIVE ORDER 1795
DATED AUGUST 13, 1957

EXHIBIT A-2

EXHIBIT B-1

* 14 PAGES TOTAL

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION

REVOCABLE PERMIT NO. B-03-06

KNOW ALL MEN BY THESE PRESENTS:

This Agreement is executed this 17th day of September, 2003, by and between the STATE OF HAWAII, hereinafter referred to as the "State," by its Board of Land and Natural Resources, hereinafter called the "Board," and Magic Island Petroleum, Inc., a Hawaii corporation, hereinafter called the "Permittee," whose mailing address is 1661 Ala Moana Boulevard, Honolulu, Hawaii 96815. The parties agree that commencing on the 1st day of December, 2002, ("commencement date"), Permittee is permitted to enter and occupy, on a month-to-month basis only, pursuant to section 171-55, Hawaii Revised Statutes, that certain parcel of public land (and any improvements located thereupon) situate at Ala Wai Boat Harbor, Island of Oahu, Hawaii, TMK No. 2-3-37:20. Being a portion of Governor's Executive Order No. 1795, as indicated on the map attached hereto as Exhibit "A", and made a part hereof, containing an approximate area of 15,199 square feet of fast land and 14,266 square feet of submerged land, which parcel is hereinafter referred to as the "Premises."

THIS PERMIT IS GRANTED UNDER THE FOLLOWING CONDITIONS:

A. The Permittee shall:

1. Occupy and use the Premises for the following specified purposes only:

Operate a marine fueling facility providing fuel, oil, lubricants, a waste oil containment system, and a sewage pump-out system to service marine vessels. The facility shall include a marine service station offering minor repairs normally associated with routine servicing of marine vessels. Other permitted uses on the premises may include a convenience store, over the counter snack bar, boat brokerage, laundromat, the mooring of vessels, and other uses more particularly described in Exhibit "B", which is attached hereto and made a part hereof.

2. Pay, at the Division of Boating and Ocean Recreation, Department of Land and Natural Resources, 333 Queen Street, Suite 300, Honolulu, Oahu, or at the District Office on the Island where the Premises are located, the sum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) per month, payable monthly in advance, or seven percent (7%) of gross receipts per month, whichever is greater, plus \$0.005 per gallon of fuel sold and ten percent (10%) of the mooring income per month.

RP

The interest rate on any unpaid or delinquent rentals shall be at one per cent (1%) per month.

If the monthly rent is not received at the above address on or before the first day of the month for which it is due, then a service charge of FIFTY DOLLARS (\$50.00) a month for each delinquent payment shall be assessed and payable. The service charge is in addition to interest on unpaid or delinquent rentals. Interest shall not accrue on the service charge. Payment of such service charge shall not excuse or cure any default by Permittee under this Permit.

3. Upon execution of this Permit, deposit with the Board an amount equal to two times the monthly rental stated above in paragraph 2, as security for the faithful performance of all of these terms and conditions.

The deposit will be returned to the Permittee upon termination or revocation of this Permit, if and only if all of the terms and conditions of this Permit have been observed and performed to the satisfaction of an authorized representative of the Department of Land and Natural Resources ("DLNR"). Otherwise, the deposit may, at the option of an authorized representative of the DLNR be applied toward payment of any amounts owed hereunder, without waiving any of the Board's other rights hereunder.

4. At the Permittee's own cost and expense, keep the government-owned improvements located on the Premises insured against loss by fire and other hazards, casualties, and contingencies, for the full insurable value of those improvements. The policies shall name the State of Hawaii as an additional insured and shall be filed with the Board. In the event of loss, damage, or destruction of those improvements, the Board shall retain from the proceeds of the policies those amounts it deems necessary to cover the loss, damage, or destruction of the government-owned improvements and the balance of those proceeds, if any, shall be delivered to the Permittee.
5. Give the Board twenty-five (25) calendar days notice, in writing, before vacating the Premises.
6. Pay all real property taxes assessed against the Premises from the commencement date of this Permit.
7. At its own cost and expense, observe, perform and comply with all laws, ordinances, rules and regulations of all governmental authorities now or at any future time during the term of this Permit applicable to the Premises, including, without limiting the generality of the foregoing, the Americans with Disabilities Act of 1990 and all regulations promulgated with respect thereto, as well as any other laws, ordinances, rules and regulations imposing any requirements that the

Premises be made accessible to persons with disabilities; and, indemnify the State of Hawaii against all actions, suits, damages and claims by whomsoever brought or made by reason of the nonobservance or nonperformance of any of said laws, ordinances, rules and regulations or of this covenant.

8. Repair and maintain all buildings or other improvements now or hereafter on the Premises.
9. Obtain the prior written consent of the Board before making any major improvements.
10. Keep the Premises and improvements in a clean, sanitary, and orderly condition.
11. Pay all charges, assessments, or payments for water, other utilities, and the collection of garbage as may be levied, charged, or be payable with respect to the Premises.
12. Not make, permit, or suffer, any waste, strip, spoil, nuisance or unlawful, improper, or offensive use of the Premises.
13. At all times with respect to the Premises, use due care for public safety.
14. Procure and maintain, at its own cost and expense, in full force and effect throughout the term of this Permit, commercial general liability insurance, in an amount acceptable to the Chairperson with an insurance company or companies licensed to do business in the State of Hawaii. The policy or policies of insurance shall name the State of Hawaii as an additional insured. The insurance shall cover the entire Premises, including all grounds and all roadways or sidewalks on or adjacent to the Premises in the use or control of the Permittee.

Prior to entry and use of the premises or within fifteen (15) days after the commencement date of this Permit, whichever is sooner, furnish the State with a certificate(s) showing the policy(s) to be initially in force, keep the certificate(s) on deposit during the entire Permit term, and furnish a like certificate(s) upon each renewal of the policy(s). This insurance shall not be cancelled, limited in scope of coverage, or nonrenewed until after sixty (60) days written notice has been given to the State.

The State shall retain the right at any time to review the coverage, form, and amount of the insurance required by this Permit. If, in the opinion of the State, the insurance provisions in this Permit do not provide adequate protection for the State, the State may require Permittee to obtain insurance sufficient in coverage, form, and amount to provide adequate protection. The State's requirements shall be reasonable but shall be designed to assure protection for and against the kind and extent of the risks that exist at the time a change in insurance is required. The

State shall notify Permittee in writing of changes in the insurance requirements and Permittee shall deposit copies of acceptable insurance policy(s) or certificate(s) thereof, with the State incorporating the changes within thirty (30) days after receipt of the notice.

The procuring of the required policy(s) of insurance shall not be construed to limit Permittee's liability under this Permit nor to release or relieve the Permittee of the indemnification provisions and requirements of this Permit.

Notwithstanding the policy(s) of insurance, Permittee shall be obligated for the full and total amount of any damage, injury, or loss caused by Permittee's negligence or neglect connected with this Permit. It is agreed that any insurance maintained by the State will apply in excess of, and not contribute with, insurance provided by Permittee's policy.

15. In case the State shall, without any fault on its part, be made a party to any litigation commenced by or against the Permittee (other than condemnation proceedings), the Permittee shall pay all costs, including reasonable attorney's fees, and expenses incurred by or imposed on the State.
16. Pay all costs, including reasonable attorney's fees, and expenses which may be incurred by or paid by the State in enforcing the covenants and agreements of this Permit, in recovering possession of the Premises, or in the collection of delinquent rental, taxes, and any and all other charges.

B. Additional Conditions:

1. This Permit is issued and effective on a month-to-month basis. The Permit shall automatically terminate one year from the commencement date or upon the date of execution of a lease issued for the Premises, whichever occurs earliest, unless revoked as provided below, provided further that the Board may allow the Permit to continue on a month-to-month basis for additional one-year periods. Any such extension shall have the same terms and conditions as this Permit, except for the commencement date and any amendments to the terms, as reflected in the Board minutes of the meeting at which the Board acts. Permittee agrees to be bound by the terms and conditions of this Permit and any amendments to this Permit so long as Permittee continues to hold a permit for the Premises or continues to occupy or use the Premises.
2. The Board may revoke this Permit for any reason whatsoever, upon written notice to the Permittee at least thirty (30) calendar days prior to the revocation; provided, however, that in the event payment of rental is delinquent for a period often (10) calendar days or more, this Permit may be revoked upon written notice to the Permittee at least five (5) calendar days prior to the revocation.
3. If the Permittee fails to vacate the Premises upon revocation or termination of the

Permit, the Permittee shall be liable for and shall pay the previously applicable monthly rent, computed and prorated on a daily basis, for each day the Permittee remains in possession.

4. If the Permittee fails to vacate the Premises upon revocation or termination of the Permit, the Board, by its agents, or representatives, may enter upon the Premises, without notice, and at Permittee's cost and expense remove and dispose of all vehicles, equipment, materials, or any personal property remaining on the Premises, and the Permittee agrees to pay for all costs and expenses of removal, disposition, or storage.
5. The Board may at any time increase or decrease the monthly rental by written notice at least thirty (30) business days prior to the date of change of rent. Upon such notice, the Permittee shall deposit with the Board any additional monies required to maintain an amount equal to two times the new monthly rental as security for the faithful performance of all of these terms and conditions.
6. Any major improvements, including but not limited to buildings and fences, erected on or moved onto the Premises by the Permittee shall remain the property of the Permittee and the Permittee shall have the right, prior to the termination or revocation of this Permit, or within an additional period the Board in its discretion may allow, to remove the improvements from the Premises; provided, however, that in the event the Permittee shall fail to remove the improvements prior to the termination or revocation of this Permit or within an additional period the Board in its discretion may allow, the Board may, in its sole discretion, elect to retain the improvements or may remove the same and charge the cost of removal and storage, if any, to the Permittee.
7. The Board reserves the right for its agents or representatives to enter or cross any portion of the Premises at any time.
8. This Permit or any rights hereunder shall not be sold, assigned, conveyed, leased, mortgaged, or otherwise transferred or disposed of.
9. Permittee has inspected the Premises and knows the conditions thereof and fully assumes all risks incident to its use.
10. The acceptance of rent by the Board shall not be deemed a waiver of any breach by the Permittee of any term, covenant, or condition of this Permit nor of the Board's right to declare and enforce a forfeiture for any breach, and the failure of the Board to insist upon strict performance of any term, covenant, or condition, or to exercise any option herein conferred, in any one or more instances, shall not be construed as a waiver or relinquishment of any term, covenant, condition, or option of this Permit.

11. The use and enjoyment of the Premises shall not be in support of any policy that discriminates upon any basis or in any manner that is prohibited by any applicable federal, state, or county law.
12. Any and all disputes or questions arising under this Permit shall be referred to the Chairperson of the Board and his determination of these disputes or questions shall be final and binding on the parties.
13. Permittee shall not cause or permit the escape, disposal, or release of any hazardous materials except as permitted by law. Permittee shall not allow the storage or use of such materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such materials, nor allow to be brought onto the premises any such materials except to use in the ordinary course of Permittee's business, and then only after written notice is given to the Board of the identity of such materials and upon the Board's consent which consent may be withheld at the Board's sole and absolute discretion. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of hazardous materials by Permittee, then the Permittee shall be responsible for the costs thereof. In addition, Permittee shall execute affidavits, representations and the like from time to time at the Board's request concerning the Permittee's best knowledge and belief regarding the presence of hazardous materials on the Premises placed or released by Permittee.

Permittee agrees to indemnify, defend, and hold the State of Hawaii, the Board, and their officers, employees, and agents harmless from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefor, arising out of or resulting from the use or release of hazardous materials on the premises occurring while Permittee is in possession, or elsewhere if caused by Permittee or persons acting under Permittee. These covenants shall survive the expiration, revocation, or termination of the permit.

For the purpose of this permit "hazardous material" shall mean any pollutant, toxic substance, hazardous waste, hazardous material, hazardous substance, or oil as defined in or pursuant to the Resource Conservation and Recovery Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, the Federal Clean Water Act, or any other federal, state, or local environmental law, regulation, ordinance, rule, or bylaw, whether existing as of the date hereof, previously enforced, or subsequently enacted.

14. Prior to termination or revocation of the subject permit, Permittee shall conduct a Phase One (1) Hazardous Waste Evaluation and conduct a complete abatement and disposal, if necessary, satisfactory to the standards required by the Federal Environmental Protection Agency, the Department of Health, and the DLNR. Failure to comply with the provisions of this paragraph shall not extend the term

of this Permit or automatically prevent termination or revocation of the Permit. The Board, at its sole option, may refuse to approve termination or revocation unless this evaluation and abatement provision has been performed. In addition or in the alternative, the Board may, at its sole option if Permittee does not do so arrange for performance of the provisions of this paragraph, all costs and expenses of performance to be charged to and paid by Permittee.

15. Permittee shall indemnify, defend, and hold harmless the State of Hawaii, its officers, agents, and employees from and against all liability, loss, damage, cost, and expense, including all attorneys' fees, and all claims, suits, and demands therefor, arising out of or resulting from the acts or omissions of the Permittee or the Permittee's employees, agents, or officers under this Permit. The provisions of this paragraph shall remain in full force and effect notwithstanding the revocation, expiration, or termination of this Permit. The purchase of liability insurance shall not relieve Permittee of the obligations described herein.
16. Unless otherwise agreed by the Board in its sole discretion, payments received will be applied first to attorneys' fees, costs, assessments, real property taxes, or other costs incurred or paid by the Board with respect to the Premises, next to service charges or interest, next to any other charges due or owing under the Permit, next to delinquent monthly rent, and next to current rent.
17. Any notice required or permitted to be given hereunder shall be in writing, given by personal delivery or by first class mail, postage prepaid. Notice to Permittee shall be delivered or addressed to the address stated above. Notice to State of Hawai'i shall be delivered or addressed to the Chairperson of the Board at 1151 Punchbowl Street, Room 130, Honolulu, Hawai'i 96813. Mailed notices shall be deemed given upon actual receipt, or two business days following deposit in the mail, postage prepaid, whichever occurs first. Either party may by notice to the other specify a different address for notice purposes, provided that Permittee's mailing address shall at all times be the same for both billing and notice. In the event there are multiple Permittees hereunder, notice to one Permittee shall be deemed notice to all Permittees.
18. Unless the text indicates otherwise, the use of any gender shall include all genders and, if the Permittee includes more than one person, the singular shall signify the plural and this Permit shall bind the persons, and each of them jointly and severally.

C. Special Terms and Conditions:

1. The PERMITTEE, its employees, officers, agents, invitees or guests, shall be prohibited from using the Premises, or any portion thereof, for permanent lodging or sleeping quarters. However, a rest area for the comfort and convenience of employees during working hours is allowed.

2. The PERMITTEE shall submit the excess of the seven percent of gross receipts over the base rental, the \$0.005 per gallon of fuel sold, and the ten percent of mooring income as required in item A.2. above, on or before the last day of the month following the month for which the rental is applicable, together with a statement reporting the gross income for the prior month on forms provided by the Board.
3. Endorsement No. 1, attached hereto as Exhibit "C", is made a part hereof.

IN WITNESS WHEREOF, the STATE OF HAWAII, by its Board of Land and Natural Resources, has caused the seal of the Department of Land and Natural Resources to be hereunto affixed and the parties hereto have caused these presents to be executed the day, month and year first above written.

STATE OF HAWAII

By



Chairperson of the Board of Land and
Natural Resources

Approved by the Board of
Land and Natural Resources
at its meeting held on October 11, 2002
(Item J-1).

PERMITTEE

Magic Island Petroleum, Inc.

By



Its

PRESIDENT

APPROVED AS TO FORM:


Deputy Attorney General

Dated: Aug. 8, 2003

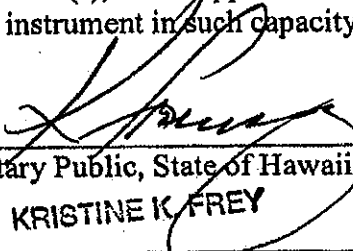


STATE OF HAWAII)

COUNTY OF Kauai)

On this 26th day of August, 2003 before me personally appeared Brian Brabata and n/a, to me personally known, who, being by me duly sworn or affirmed, did say that such person(s) executed the foregoing instrument as the free act and deed of such person(s), and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

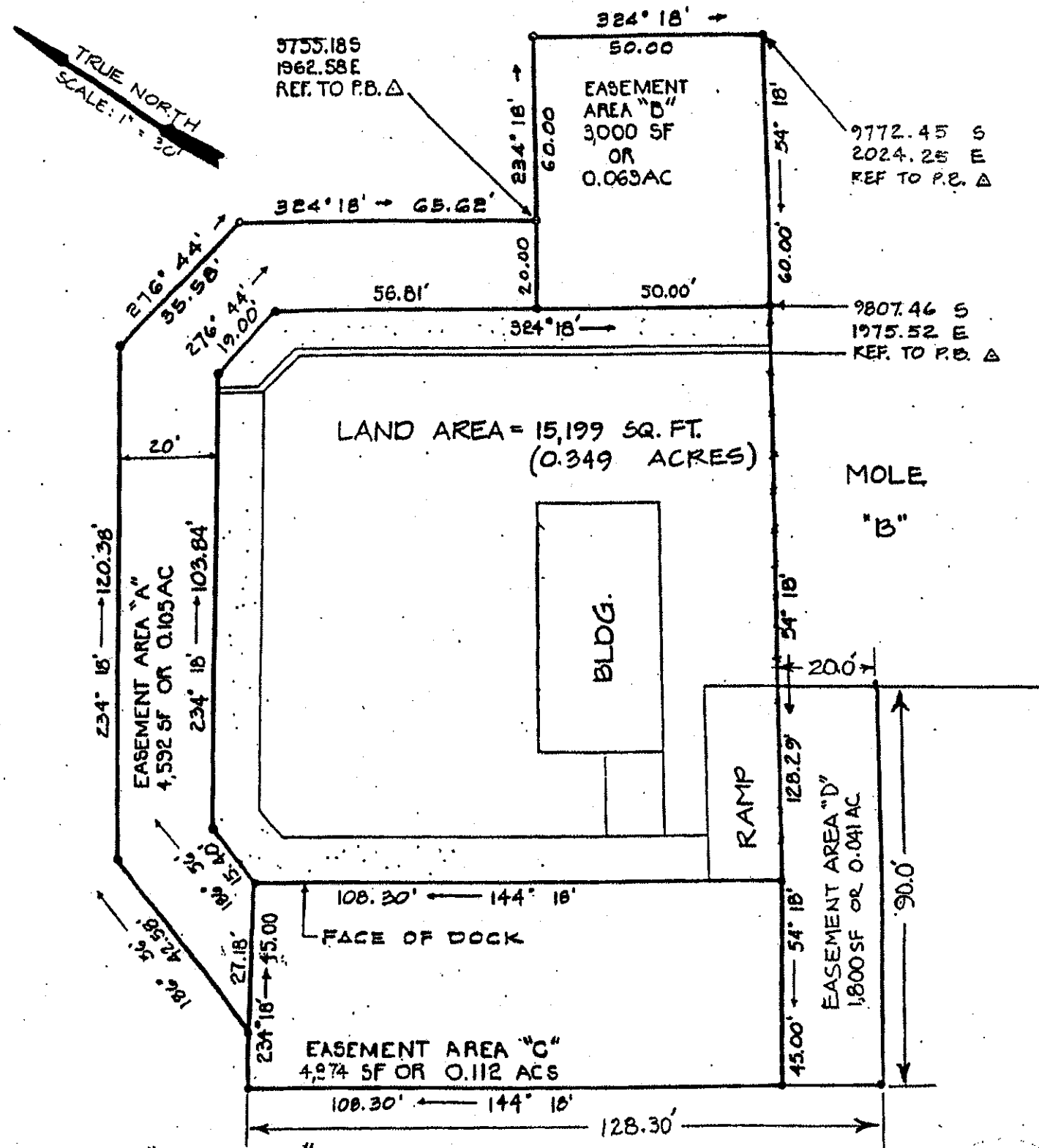




Notary Public, State of Hawaii
KRISTINE K. FREY

My commission expires: 5/26/07





LAND SITUATED AT ALA WAI BOAT HARBOR
KALIA, WAIKIKI, HONOLULU, HAWAII

BEING A PORTION OF GOVERNOR'S EXECUTIVE ORDER 1795
DATED AUGUST 13, 1957

EXHIBIT "A" (RP)

Magic Island Petroleum, Inc.
Revocable Permit No. B-03-__

Use of Premises

The Permittee shall install and operate a marine fueling facility providing fuel, oil, lubricants, a waste oil containment system, and a sewage pump-out system to service marine vessels. Operating hours shall not be less than six hours per day, seven days per week. The facility shall include a marine service station offering minor repairs normally associated with routine servicing of marine vessels. Other permitted uses on the Premises may include a convenience store, over the counter snack bar, boat brokerage, laundromat, the mooring of vessels, and other uses as approved by the Department of Land and Natural Resources subject to the provisions of Hawaii Revised Statutes, section 200-2.5.

The Permittee shall:

1. Have the right to use the premises for a marine fueling facility, including the marine service station, to sell, advertise for sale, or otherwise contract for sale all types of fuel, oil and lubricants normally used by small boats and to offer for sale or hire any and all goods and services reasonably necessary and incidental to the operation by the Permittee of such marine fueling facility. The Permittee shall install and utilize EPA-approved fuel storage tanks and provide sewage pump-out equipment that must conform with the requirements of the federal, state and county laws.
2. Have the right to install a propane tank and to dispense and sell propane gas on the premises.
3. Have the right to operate a convenience store to sell fishing gear, batteries, spark plugs, packaged or canned food items, packaged ice, packaged soft drinks, packaged beer and wine subject to the Permittee's obtaining the proper liquor license from the City and County of Honolulu, and other fishing and boat equipment and supplies normally available at an operation of a marine fueling facility and marine service station including the right to install vending machines for the purpose of selling soft drinks, cigarettes, candies, sandwiches and other similar prepackaged items.
4. Have the right to operate an over the counter snack bar, for the sale of hot food items; i.e., plate lunches, hamburgers, hot dogs, saimin and soft drinks. The operator shall not have waiters or waitresses serving meals. A maximum seating capacity of two tables with eight chairs for patrons to use is allowable.
5. Have the right to install washers and dryers and to operate a Laundromat sufficient to meet the needs of the harbor users.

EXHIBIT "B" (RP)



6. Have the right to operate a boat brokerage business representing recreational and pleasure craft owners for the sale of their vessels.
7. Be responsible for obtaining all necessary and applicable clearances, permits or licenses for the permitted uses hereunder including Environmental Impact Assessment and Statement, if necessary, from the Office of Environmental Quality Control, Special Management Area Permit, etc., from the appropriate authorizing federal, state and county agencies.
8. Be allowed to carry in stock, display, offer for sale or sell prepackaged items associated with a Laundromat, such items consisting of but not limited to sundry detergent, softener, bleach, etc.
9. Have the right to occupy and use the premises for fueling and other permitted purposes during such period as the Permittee is not in default hereunder. No tank truck fueling permit shall be issued to others for Ala Wai Boat Harbor during the term of the Permit. However, the Permittee's right to operate a marine fueling facility and marine service station at the Marine fueling Facility at Ala Wai Boat Harbor under the terms of this Permit is nonexclusive with the State reserving the right to provide such additional or other similar facilities at Ala Wai Boat Harbor as the interests of the public or the State may require.
10. Obtain prior written approval from the State for all other related activities.
11. Use Easement Areas "A", "B", "C" and "D" for mooring of vessels as follows:
 - a. No person shall be permitted to moor within Easement Areas "A", "B", "C" or "D" who is delinquent in payment of any fees or charges due and payable to the State for mooring or other uses of state boating facilities.
 - b. The mooring of vessels in Easement Area "A" of the premises between the hours of 8:00 a.m. and 8:00 p.m. shall be for the purpose of fueling and servicing of vessels and the sale of supplies and goods from the convenience store. No vessel may so moor for more than two (2) hours for any of all of said purposes during this time period in any one day. Between the hours of 8:00 p.m. and 8:00 a.m., only commercial catamarans and other commercial vessels for which valid permits or registration certificates have been issued by the State to operate upon Waikiki shore waters for hire shall be permitted to moor in Easement Area "A". In the event no commercial vessels have requested mooring space within Easement Area "A", 50 feet of dock space immediately adjacent to Easement Area "B" may be used to provide bow/stem mooring for recreational vessels up to 60 feet in length.

EXHIBIT "B"

No vessel moored within Easement area "A" shall be used as a principal habitation nor shall any person be permitted to stay aboard any vessel moored at this location.

- c. Easement Areas "B", "C" and "D" may be utilized for the mooring of vessels under the following conditions:

- (1) Vessels are permitted to moor for more than two (2) hours within Easement Areas "B", "C" and "D" as shown in Exhibit "A" upon prior written notification to the State of Hawaii's Ala Wai Harbor Agent.
- (2) The Permittee shall provide the following information to said Harbor Agent in writing with respect to each vessel prior to assigning a mooring within Easement Areas "B", "C" and "D": (i) name of registered owner or captain of the vessel, (ii) local address, (iii) name, registration and home port of the vessel, (iv) date of mooring assignment, and (v) estimated period of mooring. The Permittee shall also provide said Harbor Agent a monthly mooring summary of vessels, by vessel name, registration/Document number, and vessel length, that are moored on the premises.
- (3) No vessel moored within Easement Areas "B", "C" and "D" shall be used as a place of principal habitation. However, staying aboard overnight will be permitted within Easement Areas "B", "C" and "D" only, provided that prior written notification is given to said Harbor Agent of the dates and the names of the persons who will be staying aboard.

- d. In addition to the rental payable to the State under section A.2 of the Permit, the Permittee shall pay ten percent (10%) of the Permittee's gross receipts from mooring and other fees collected by or payable to Permittee for vessels moored within the easement areas, which percentage shall be paid to the State on a monthly basis.

EXHIBIT "B"

ENDORSEMENT NO. 1
TO
REVOCABLE PERMIT NO. B-03-06

Magic Island Petroleum, Inc.

SAFETY PRECAUTIONS GOVERNING FUELING OPERATION

1. Fueling of vessels shall be accomplished only within the designated areas outlined on Exhibit "A".
2. No vessel shall be fueled until the operator has complied with Section 13-232-24 of the Hawaii Administrative Rules, Small Boat Harbors.
3. It shall be the responsibility of the company to ensure that an employee or the operator of the vessel being fueled stand by to ensure that no fuel overflow is discharged into the harbor.
4. If fuel is discharged into the harbor, notify the Harbor Attendant and the U. S. Coast Guard.
5. During a fueling operation, post signs that are clearly visible stating "FUELING - NO SMOKING WITHIN 50 FEET" (Section 13-232-25 of the Hawaii Administrative Rules, Small Boat Harbors.)
6. Provide adequate fire extinguishers at the scene.

EXHIBIT "C" (RP)

EXHIBIT C

LINDA LINGLE
GOVERNOR OF HAWAII



PETER T. YOUNG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

ROBERT MASUDA
DEPUTY DIRECTOR - LAND

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL
RESOURCES

Ed Underwood
ACTING ADMINISTRATOR

DIVISION OF BOATING AND OCEAN RECREATION

333 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813

August 24, 2006

BOR-0050.07

Brian Barbata, President
Magic Island Petroleum, Inc.
1661 Ala Moana Boulevard
Honolulu, Hawaii 96815

Dear Mr. Barbata,

Re: Magic Island Petroleum, Inc., Revocable Permit No. B-03-06
NOTICE OF VIOLATION OF REVOCABLE PERMIT B-03-06 FOR NON-
COMPLIANCE WITH THE OCCUPANCY AND USE PROVISIONS

This letter addresses the occupancy and use provisions for your marine fueling facility, pursuant to Revocable Permit No. B-03-06 ("The Permit"). It has come to our attention that vessels moored at the fuel dock are being used as a principle place of habitation. By allowing this to take place you are in violation of your Revocable Permit. Please note EXHIBIT A delineates the specific uses as stated in your Revocable Permit.

The Permit states that "(t) he PERMITEE shall:

A (1) Occupy and use the Premises for the following specified purposes only: Operate a marine fueling facility providing fuel, oil, lubricants, a waste oil containment system ... "

C.(1) "The PERMITEE, it's employees, officers, agents, invitees or guests shall be prohibited from using the Premises, or any portion thereof, for permanent lodging or sleeping quarters.

EXHIBIT B (11 b.) Use of Easement Areas "A", "B", "C" and "D" for mooring of vessels as follows:

"No person shall moor for more than (2) hours for any of all said purposes..." Vessels have been observed to be permanently moored in Easement Area "A" for extended periods of time. Please remove these vessels from the portions of the Easement that are in violation of the terms specified in The Permit.


EXHIBIT B (11 c., 1, 2, 3) No vessel moored within Easement Areas "B", "C", and "D" Shall be used as a place of principle habitation. However, staying aboard overnight will be permitted within ...Provided that prior written notification is given by the said Harbor Agent of the dates and the names of the persons who will be staying aboard."

Please immediately make provisions to provide the Division of Boating and Ocean Recreation through the Ala Wai Harbor Master with the information in writing with respect to each vessel prior to assigning the mooring, and the mooring summary for the deficient period. This shall be done on a consistent manner as specified in this Permit.

Failure to immediately comply with the requirements of Revocable Permit B-03-06 may result in further administrative action, to include revocation of Revocable Permit B-03-06

If you have any questions, please contact the Division of Boating and Ocean Recreation At (808) 587-1963.

Sincerely,



Ed Underwood
Acting Administrator

c: Land Board Member
DLNR, Chairperson's Office
BOR-O
SENT BY CERTIFIED MAIL - RETURN RECEIPT REQUESTED
And United States Postal Service, First Class Mail, Postage Prepaid

EXHIBIT D

LINDA LINGLE
GOVERNOR OF HAWAII



PETER T. YOUNG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

ROBERT MASUDA
DEPUTY DIRECTOR - LAND

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL
RESOURCES
DIVISION OF BOATING AND OCEAN RECREATION
333 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
September 20, 2006

Ed Underwood
ACTING ADMINISTRATOR

BOR-PM 0090.07

Brian Barbata, President
Magic Island Petroleum, Inc.
1661 Ala Moana Boulevard
Honolulu, Hawaii 96815

Dear Mr. Barbata,

Re: Magic Island Petroleum, Inc., Revocable Permit No. B-03-06
SECOND NOTICE OF VIOLATION OF REVOCABLE PERMIT B-03-06 FOR
NON-COMPLIANCE WITH THE OCCUPANCY AND USE PROVISIONS

This letter serves as a SECOND NOTICE demanding full compliance of REVOCABLE PERMIT B-03-06.

On August 31, 2006 you received a notice from the State of Hawaii, Department of Land and Natural Resources, Division of Boating and Ocean Recreation that you are in violation of the above-described permit in that you have failed to provide the following information for each of the vessels moored in Easement Areas "B", "C" and "D" as required: (i) name of the registered owner or captain of the vessel, (ii) local address, (iii) name, registration and home port of the vessel, (iv) date of mooring assignment, and (v) estimated period of mooring. You are also required to provide the Harbor Agent with a monthly mooring summary of vessels, by vessel name, registration/document number, and vessel length that are moored on the premises.

It has come to our attention that since your receipt of that letter you have failed to provide either the harbor agent or this office with the required information.

Mr. Brian Barbata
Page 2
September 20, 2006

BOR-PM 0090.07

You are hereby advised that your continued failure to correct this situation by providing the required information may result in further administrative action that may include termination of Revocable Permit No. B-03-06.

If you have any questions, please contact the Division of Boating and Ocean Recreation at (808) 587-1966.

Sincerely,



Edward R. Underwood
Acting Administrator

c: Land Board Member
DLNR, Chairperson's Office
BOR-O

SENT BY CERTIFIED MAIL - RETURN RECEIPT REQUESTED
And United States Postal Service, First Class Mail, Postage Prepaid